

American Gilsonite Company

Bonanza Minesite 29950 South Bonanza Highway Bonanza Utah 84008 • Phone (435) 789-1921 • Fax (435) 789-1956 MO470010 CO: Paul Susan Task ID# 1807

Paul Baker Mining Program Coordinator Division of Oil, Gas & Mining 1594 W. North Temple, Suite 1210 Salt Lake City, UT 84114-5801

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APR 3 0 2007

DIV. OF OIL, GAS & MINING

April 26, 2007

Re: Reclamation Bond 2006 Update

CERTIFIED MAIL – Return Receipt Requested

Dear Mr. Baker,

American Gilsonite Co. (AGC) has the following comments in response to the letter from Susan White and enclosed spreadsheets dated March 7, 2007. The following items track the numbered items in Ms. White's letter for convenience.

- 1. AGC appreciates the full release of sites R-2, R-4, H-2 and H-10.
- 2. AGC respectfully disagrees that revegetation is still required at sites B-40, WH-12, LE-10, LE-16, LE-19 and LE-20. Revegetation has been fully completed on these sites. We request that they be fully released. Therefore, the subtotal mine sites amount should be reduced by \$3,516.42 and the bond should be reduced by \$4,527.85 (included contingency and escalation) as shown on the attached revised spreadsheet.
- 3. We appreciate that the Division and the BLM have cooperated so that double bonding is not required on federal sites. However, there appears to be an oversight because there are five federal sites that have not been deducted from the Division's bond calculations (see item 4 below). Please note that E-32 is an escapeway site, not a full mine site (no bins, fans, compressor, etc.), therefore we believe that the subtotal mine sites amount should be reduced by \$2,156.95 and the bond should be reduced by \$2,777.35 (please note that this amount reflects the revision made by AGC to the attached spreadsheet).
- 4. We understand that the Division's new total estimated bond amount for non-federal sites is \$846,000. AGC has the following comments on the amounts and calculations found in the bond spreadsheets.
 - a. The "acreage" sheet has several items that need further review and consideration.
 - As stated above, E-32 is an escapeway site, not a full mine site.
 - The BLM currently holds a bond in the amount of \$28,000 for I-30. Therefore, the subtotal mine sites amount should be reduced by \$4,313.91 and the bond should be reduced by \$5,554.72 (please note that this amount reflects the revision made by AGC to the attached spreadsheet).
 - On mine site B-40, your spreadsheet states that 3 year revegetation is needed. Since this site was seeded in the summer of 2004, it should be fully released in 2007. This reduces the subtotal mine sites amount by \$586.07 (this amount is included in item 2 above).

- 2 acres are listed for WH-7, but no mining has occurred on this site and is not anticipated to occur in the near future. Therefore, there is no disturbance at this site so it does not need to be included in the bond.
- WH-10, WH-11, WH-12, WH-13, LE-5, LE-6 and LE-7 are all on federal land and should be included in the BLM statewide bond. Therefore, the subtotal mine sites amount should be reduced by \$4,501.24 and the bond should be reduced by \$5,795.93 (please note that this amount reflects the revision made by AGC to the attached spreadsheet).
- As listed in item 2 above, we feel that LE-10, LE-16, LE-19 and LE-20 should all be fully released because revegetation is complete. Also, LE-19 is a 1.0 acre site not a 3.0 acre site as you have listed. It appears that you have included acreage for LE-17 and LE-18 into the acreage for LE-19 and these sites have been released. This reduces the subtotal mine sites amount by \$2,344.28 (this amount is included in item 2 above).
- b. The bonding amount per mine site is more than three times the amount listed in the previous bond revision. This seems unreasonable for a five year escalation. Items that need further review and consideration are: Dismantling crane and operator quantities have been increased from 4 hours to 10 hours, Shaft capping costs have been increased from \$1,088 to \$3,061 instead of escalating the \$1,088 over five years and the last seven items on the mine site reclamation list were not even on the previous bond revision and we are not even sure what these items are for. Therefore, the amount per mine site should be reduced by \$7,627.76 as shown on the attached revised spreadsheet. This reduces the subtotal mine sites amount by \$148,578.53 and the total bond amount by \$191,314.21.
- c. There is \$35,000 included to blast the vein closed at WH-7. As stated above, no mining has occurred at WH-7 and is not anticipated to occur in the near future. Therefore, the subtotal mine sites amount should be reduced by \$35,000.00 and the bond should be reduced by \$45,067.06.
- d. We have found that there are scrap metal yards in Vernal that are willing to tear down and haul off the equipment at a Gilsonite mine site at no charge due to the value of the scrap metal. This reduces the amount per mine site by \$1,817.52, the subtotal mine sites amount by \$32,715.36 and the total bond amount by \$42,125.29.

Please find attached a revised version of the bond estimate spreadsheet that incorporates the comments listed above. Given the above listed considerations we estimate that the reclamation cost is \$548,000.00 for all sites on non-federal land. If this revised amount is acceptable to the Division, we will initiate the process to file a Request for Agency Action with the Board. Thank you for your assistance and cooperation.

Best regards,

Jared Jackson Production Manager

American Gilsonite Company

Cc: Earl White – AGC Ted Stevens - AGC

RECLAMATION ESTIMATE 2006 UPDATE American Gilsonite Company (AGC) Bonanza Gilsonite Operatic Uintah County M/047/010

filename M47-10_Bond_2006.xls page name "acreage"

last revision 4/26/2007

M/047/010

4/26/2007

Prepared by Utah State Division of Oil, Gas & Mining

Mine site list based on DOGM files, DOGM 4/12/06 inspection, & BLM 2006 bond calcs.

Current bond posted with the Division is \$514,000 in 2006-\$ for a total disturbance of 111.70 acres.

Some sites are included in the DOGM permit, but bonded with the BLM.

Recognized BLM state wide bond calculations of August 2006.

mine site	owner	acreage	bond held by	other agency bond amount	DOGM status 5/26/06	claim or lease	last DOGM inspection
E-14	patented		DOGM	DONG ANIOGIN	inactive, headframe, water tank, no hoist	white river 21	4/12/200
E-15	patented		DOGM		inactive, headframe, water tank, no hoist	white river 20	4/12/200
E-21	patented		DOGM		trash dump; remove structure & replace fence	Wille livel 20	10/31/200
E-30W	patented		DOGM	7.1.	escapeway w/equip	white river 24	10/31/200
E-27	patented		DOGM		full set equip, inactive, includes bullet escapeway E28	white river 22 &	4/12/200
E-28	patented		DOGM		inactive, escapeway for E27	white river 23	4/12/200
E-29	patented		DOGM		inactive, most equip gone, shaft present	white river 23	4/12/200
E-30	patented		DOGM		inactive, thost equip gone, shaft present	white river 24	4/12/200
E-31	patented		DOGM		full set equip, simple escapeway, active	white river 25	4/12/200
E32	patented		DOGM		NEW, UNPERMITTED SITE; escapeway	Wilke livel 23	10/31/200
LJZ	pateriteu	1.00	DOGIVI	 -	NEW, ONFERMITTED SITE, escapeway	-	10/31/200
1-9	patented	1.00	DOGM		mine + equip, inactive	rangely bell	4/12/200
l-10	patented	1.00	DOGM		mine + equip, inactive	rangely beli	4/12/200
l-12	bim exchange?	1.47	DOGM		new mine + equip, area includes escapeway	· · · · · · · · · · · · · · · · · · ·	4/12/200
l-15	patented	1.00	DOGM		hoist house, other equip gone, inactive	cumberland	4/12/200
l-16	patented	1.00	DOGM		NEEDS REVEGE-2, large rebar spacing in cap	triumph	4/12/200
l-18	patented	1.95	DOGM		inactive, 2 bldgs, water tank, shaft	break of day	4/12/200
l-24	patented	1.00	DOGM		mine + equip	big chief	
-30	BLM-exchange	1.00	DOGM	\$28,000.00		UŤU-78405 (old M	4/12/200
5.40							
B-12	patented		DOGM		NEEDS REVEGE-2?, shaft under road	foothill	4/12/200
B-14	pre-law		DOGM		NEEDS SHAFT CAP & REMOVE FOOTINGS	?	4/12/200
B-16	patented		DOGM			hilltop	4/12/200
B-28	patented		DOGM		NEEDS 2 CAPS,REVEGE & FOOTINGS REMOVED		10/31/200
B-38	FEE		DOGM		NEEDS REVEGE, REMOVE headframe & scrap & impoundme	?	4/12/200
	FEE		DOGM		WAIT for revege success; 3yr = 2007	?	4/12/200
	FEE		DOGM		partially reclaimed, hoist house gone, no cap, equip present	?	4/12/200
B-44	BLM	1.00	BLM-statewide	\$22,693.10	mine + equip, inactive	UTU-0126940	4/12/200
WH-4	BLM	1.00	BLM-statewide	\$22,036,64	active	UTU-060749	4/12/200
WH-7	BLM		DOGM	422,000.01	Never has been mined	UTU-060749	,,,,,,,,,
WH-10	BLM		BLM-statewide		reclaimed, seeded 2005, WAIT on revege =>2008	0.0000000	4/12/200
	BLM		BLM-statewide	\$5 107 86	reclaimed, seeded 2005, WAIT on revege =>2008	UTU-073071	4/12/200
WH-12	BLM		BLM-statewide	40,101.00	reclaimed, seeded 2005, WAIT on revege =>2008	UTU-073071	4/12/200
WH-13	BLM		BLM-statewide		reclaimed, seeded 2005, WAIT on revege =>2008	0.00.00	4/12/200
WH-17	FEE		DOGM		active, full set of equipment	UTU-073071	4/12/200
	FEE		DOGM		active escapeway, no power	010 070011	4/12/200
	BLM		BLM-statewide	\$2,113.28	active escapeway, headframe, hoist house	UTU-0126943	4/12/200
					, ,		
	BLM		BLM-statewide	\$23,613.62	needs REVEGE-2, BLM wants cap buried (done in 2006)	UTU-0126938	4/12/200
	BLM		BLM-statewide		•	UTU-0126938	4/12/200
.E-7	BLM		BLM-statewide		equipment, inactive	UTU-0126938	4/12/200
_E-10	FEE		DOGM		reclaimed		4/12/200
LE-16	patented		DOGM		reclaimed	abysinia	4/12/200
	lantanta d	0.00	DOGM		reclaimed	asteroid	4/12/200
_E-19 _E-20	patented patented		DOGM		reclaimed	asteroid	4/12/2000

36	total sites	33.27 acres
7	0.5 acre sites (escape	way only or other type)
24	1.0 acre sites	
1	0.1 acre sites	
1	0.25 acre sites	
1	1.47 acre sites	
1	1.95 acre sites	
1	2.0 acre site	
0	3.0 acre sites	

11 sites bonded by BLMStatewide (10 one ac

\$103,564.50

25 sites to be bonded by DOGM

22.77 acres

RECLAMATION ESTIMATE 2006 UPDATE American Gilsonite Company (AGC)

Bonanza Gilsonite Operations M/047/010

Uintah County

filename M47-10_Bond_2006.xls page name "typical_site" last revision 4/26/2007

Prepared by Utah State Division of Oil, Gas & Mining

Recla	mation	Details

- -Quantities & units in this estimate are based on the previous estimate & April 2006 DOGM inspections.
- -Reclamation of all satellite mine sites & the main processing facilities is included in this estimate.
- -Unit costs were updated using the Rental Rate Blue Book & Means 2006 Heavy Construction Cost Data.
- -Number of mine sites & acreage is based on the Division's April 12-13, 2006 inspection summary.
- -Total of 36 mine sites affecting 33.27 acres: 24 1.0-acre sites, 7 0.5-acre sites, 1 0.1-acre site,
- (continued) 1 0.25-acre site, 1 1.47-acre site, 1 1.95-acre site, 1 2-acre sites, 0 3-acre site,
- -This estimate uses reclamation costs based on reclaiming a typical 1.0 acre gilsonite mine site.
- -This estimate uses the BLM August 2006 estimate as a basis for shaft capping costs.
- -No post-mining use of structures was assumed, reclamation involves total removal/demolition of all structures
- -Total disturbed acreage = mine sites 33.27 acres, roads 43 acres, facilities area 31.2 acres =

107.47

- -DOGM recognizes the BLM statewide bond for 11 sites (I-30, B-44, WH-4, WH-10, WH-11, WH-12, WH-13, WH-18,
- (continued) LE-5, LE-6, LE-7) @ \$103,564.50 2006\$.
- -Sites WH-3 & WH-7 were to be reclaimed by blasting the vein closed; used half of AGC estimate of \$70,000. NOT NEEDED -
- -Escapeway sites of 0.5 acre each were broken out from the number of "typical mine sites".
- Number of typical 1.0-acre sites for estimation purposes = (24 sites) (10 BLM bond) = 14.

Reclamation Per Typical 1.0 Acre Gilsonite Mine Si	te			
Task Description	Quantity Units	\$/Unit	Cost(\$)	note
Dismantling - crane	0 hr	150.00	0.00	(1)
Dismantling - crane operator	0 hr	45.00	0.00	(2)
Dismantling - laborers	0 hr	28.00	0.00	(3)
Dismantling - dozer	0 hr	109.38	0.00	(4)
Dismantling - dozer operator	0 hr	38.00	0.00	(5)
Shaft capping(labor,mtls)-BLM 2006 estimate	1 ea	1,251.20	1,251.20	(6)
Reclaiming - dozer	4 hr	109.38	437.52	(7)
Reclaiming - dozer operator	4 hr	55.40	221.60	(8)
Reseeding - mtls: seed/mulch/fertilizer	1 acre	282.72	282.72	(9)
Reseeding - apply mulch & fertilizer	1 acre	80.05	80.05	(10)
Reseeding - tractor & seed drill	2 hr	69.00	138.00	(11)
Reseeding - tractor operator	2 hr	42.65	85.30	(3)
Truck & Trailer	0 hr	150.00	0.00	(12)
Landfill fees	0 lot	100.00	0.00	(6)
Mob/Demob	0 equip	200.00	0.00	(6)
Welder	0 hr	33.00	0.00	
Supervision	0 hr	50.00	0.00	(6)
Escapeway Cap	0 ea	150.00	0.00	(6)
Support Vehicle	0 miles	0.45	0.00	(6)

Subtotal per mine site	THE STATE OF THE S		\$2,496.39	
	#sites	\$/site	\$	
1-acre sites(-10 BLM bond, 1 wait revege)	13	2,496.39	32,453.07	
0.5 acre escapeway, w/equip	3	1,248.20	3,744.59	(12)
0.5 acre escapeway w/out equip	2	1,870.79	3,741.58	(13)
1-acre sites waiting on revege or need reseed (I-16)	1	586.07	586.07	(14)
B-38 headframe & scrap, revege, 2-acre	1	4,986.77	4,986.77	(15)
I-12 + I-18 (1.47+1.95)	2	3,417.83	6,835.66	(16)
B-28: 2 smaller caps, footings, revege (0.25 acre)	1	1,562.50	1,562.50	(17)
E-21: trash dump, remove structure, add fence	1	0.00	0.00	(18)
B-12: 2nd revege, 0.5 acre	1	293.04	293.04	(19)
WH-7 site - blasting vein closed	0	35,000.00	0.00	(20)
SUBTOTAL - ALL MINE SITES	25		\$54,203.27	(/

RECLAMATION ESTIMATE 2006 UPDATE American Gilsonite Company (AGC) Bonanza Gilsonite Operations

M/047/010

Uintah County

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Prepared by Utah State Division of Oil, Gas & Mining	
note	changes to unit costs here ripple through other sheets

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(1)	J & C Enterprises, Vernal, Utah price sheet
(2)	J & C Enterprises, Vernal, Utah price sheet
(3)	Means 2006, laborer, crew A-2 w/o O&P
(4)	Blue Book pg 9-50, Cat D6R (2005), semi-U blade,165 hp
(5)	Means 2006, equip operator (dozer), crew B-10B w/o O&P
(6)	BLM estimate
(7)	Blue Book pg 9-50, Cat D6R (2005), semi-U blade, 165 hp
(8)	Means 2006, equip operator (dozer), crew B-10B w/o O&P
(9)	BLM 2006 seed cost estimate 13 lb/acre
(10)	Adjusted \$56/acre-1992 to year 2006 using actual escalation
(11)	Adjusted \$48/hr-1992 to year 2006 using actual escalation
(3)	Means 2006, laborer, w/o O&P, crew A-2

(12)	use one-half cost for typical 1.0 acre site
(13)	use one-half shaft cap cost & full revege
(14)	use reseeding only
(15)	use typical + 2X(revege)
(16)	use typical +(1.42/2)X(revege)
(17)	use one full cap cost +0.25X(revege)
(18)	use 1/2 dismantling cost
(19)	use 0.5X(reseeding only)
(20)	previous DOGM estimate (half of 2-site estimate)

American Gilsonite Company (AGC) Bonanza Gilsonite Operations

Uintah County

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Prepared by Utah State Division of Oil, Gas & Mining

OPERATIONAL FACILITIES	\$/Unit	unit	# Units	Cost(\$)	note
Ten laborers	2,240.00	\$/day	42	94,080.00	(3)
Two dozers	1,750.08	\$/day	21	36,751.68	(4) daily
Two dozer operators	608.00	\$/day	21	12,768.00	(5)
One crane	1,149.20	\$/day	42	48,266.40	(1) daily
One crane operator	360.00	\$/day	42	15,120.00	(2)
Tractor trailers	2,400.00	\$/mo	2	4,800.00	(10)
Tractor trailer operators	0.00	\$/day	42	0.00	(11)
One FE loader	614.00	\$/day	42	25,788.00	(12)daily
One FE loader operator	443.20	\$/day	42	18,614.40	(13)
Seed	282.72	\$/acre	24.6	6,954.91	(7)
One farm tractor & seed drill	552.00	\$/day	2	1,104.00	(9)
One tractor operator	341.20	\$/day	2	682.40	(3)
Subtotal operational facilities		-	*	\$264,929.79	
ROADS					
Motor grader	1,273.80	\$/day	3	3,821.40	(14)
Motor grader operator	443.20	\$/day	3	1,329.60	(15)
Seed	282.72	\$/acre	43	12,156.96	(7)
One farm tractor & seed drill	552.00	\$/day	2	1,104.00	(9)
One tractor operator	341.20	\$/day	2	682.40	(3)
Subtotal roads				\$19,094.36	
STORAGE PONDS, PADS, RESERVOIRS					
One dozer	875.04	\$/day	6	5,250.24	(4)
One dozer operator	304.00	\$/day	6	1,824.00	(5)
Seed	282.72	\$/acre	4.3	1,215.70	(7)
One farm tractor & seed drill	552.00	\$/day	2	1,104.00	(9)
One tractor operator	341.20	\$/day	2	682.40	(3)
Subtotal ponds, pads reservoirs				\$10,076.34	

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Bonanza Gilsonite Operations M/047/010

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(3) (4) daily (5) (1) daily (2) (10) (11) (12)daily (13) (7) (9) (3)	unit cost details Means 2006, laborer, crew A-2 w/o O&P Blue Book pg 9-50, Cat D6R (2005), semi-U blade, 165 hp Means 2006, equip operator (dozer), crew B-10B w/o O&P J & C Enterprises, Vernal, Utah - Price Sheet J & C Enterprises, Vernal, Utah - Price Sheet J & C Enterprises, Vernal, Utah - Price Sheet Means 2006, truck driver (heavy), crew B-34A Blue Book, pg 9-34, Cat 950G Series II (2005), 183 hp, 4.05 CY Means 2006, equip operator (med), crew B-10U BLM 2006 seed cost estimate 13 lb/acre Adjusted \$48/hr-1992 to year 2006 using actual escalation Means 2006, laborer, crew A-2 w/o O&P
(14) (15) (7) (9) (3)	Blue Book, 3Q99, pg 9-11, Cat 16H grader,16' moldboard, 285 hp, daily Means 2006, crew B-32, equip operator (med), daily BLM 2006 seed cost estimate 13 lb/acre Adjusted \$48/hr-1992 to year 2006 using actual escalation Means 2006, laborer, crew A-2 w/o O&P
(4) (5) (7) (9) (3)	Blue Book pg 9-50, Cat D6R (2005), semi-U blade, 165 hp Means 2006, equip operator (dozer), crew B-10B w/o O&P BLM 2006 seed cost estimate 13 lb/acre Adjusted \$48/hr-1992 to year 2006 using actual escalation Means 2006, laborer, crew A-2 w/o O&P

American Gilsonite Company (AGC) Bonanza Gilsonite Operations

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RESIDENTIAL AREA	\$/Unit	# Units	Cost (\$)	note
One dozer	875.04 \$/8hr-day	5	4,375	(4)
One dozer operator	304.00 \$/8hr-day	5	1,520	(5)
One FE loader	614.00 \$/8hr-day	5	3,070	(12)
One FE loader operator	443.20 \$/8hr-day	5	2,216	(13)
One tractor trailer	1,200.00 \$/8hr-day	2	2,400	(10)
One tractor trailer operator	0.00 \$/8hr-day	2	0	(11)
Ten laborers	2,240.00 \$/8hr-day	12	26,880	(3)
Composted manure & seed	382.72 \$/acre	2.3	880	(7)
Applying compost equip (FE loader/2)	307.00 \$/acre	2.3	706	(8)
Applying compost (FE loader/2)	221.60 \$/acre	2.3	510	(8)
One farm tractor & seed drill	552.00 \$/8hr-day	1	552	(9)
One farm tractor operator	341.20 \$/8hr-day	1	34 1	(3)
Subtotal residential area			\$43,450	

RECLAMATION SUMMARY MINE SITES - DOGM bonding only OPERATIONAL FACILITIES ROADS STORAGE PONDS, PADS & RESERVO RESIDENTIAL AREA	DIRS total acreage	22.77 24.6 43 4.3 2.3 96.97		\$54,203 \$264,930 \$19,094 \$10,076 \$43,450	
PROJECT SUPERVISION MOBILIZATION (6 equipment)	6	weeks each	2600 2000	\$22,100 \$12,000	(16) (17)
	SUBTOTAL			\$425,854	
	+ 10% CONTING			\$42,585	
	SUBTOTAL 2006-\$ <u>+ 5 yr ESCALATION</u> (3.2%)			\$468,440	
				\$79,903	
	TOTAL			\$548,343	
	ROUNDED TOTA	L IN 2011-\$		\$548,000	

Average cost per acre =

Previous DOGM estimate in 2006-\$

\$5,651.23 \$514,000.00

American Gilsonite Company (AGC)

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note	
(4)	Blue Book pg 9-50, Cat D6R (2005), semi-U blade, 165 hp
(5)	Means 2006, equip operator (dozer), crew B-10B w/o O&P
(12)	Means 2006, laborer, crew A-2 w/o O&P
(13)	Means 2006, equip operator (med), crew B-10U
(10)	J & C Enterprises, Vernal, Utah
(11)	J & C Enterprises, Vernal, Utah
(3)	Means 2006, laborer, inclu O&P, crew A-2
(7)	BLM seed estimate \$282.72/acre, \$100/acre compost for 5 ton/acre @ \$20/ton
(8)	Means 2006, laborer, crew A-2 w/o O&P
(8)	0
(9)	Adjusted \$48/hr-1992 to year 2006 using actual escalation
(3)	Means 2006, laborer, crew A-2 w/o O&P

Means 2006, project manager, 01300-700-0200, average \$2,600/wk inclu O&P (16)

(17)

Division estimate of mob & demob heavy equip. \$200/each; 2 dozers, crane, FE loa